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A.I.D. Project No. 517-0150

GRANT AGREEMENT

Between

THE GOVERNMENT OF THE DOMINICAN REPUBLIC

and

THE UNITED STATES OF AMERICA

for

SMALL INDUSTRY DEVELOPMENT

Dated: September 30, 1982

CONFORMED COPY

GRANT AGREEMENT dated September 30, 1982 between the GOVERNMENT OF THE DOMINICAN REPUBLIC ("Grantee") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

ARTICLE 1

The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

ARTICLE 2

The Project

SECTION 2.1 Definition of the Project. The Project, which is further described in Annex 1, consists of assisting the Grantee to establish an institutional mechanism capable of providing a continuous source of credit, technical assistance, and training to small entrepreneurs in the Dominican Republic. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

ARTICLE 3

Financing

SECTION 3.1 The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Seven Hundred Sixty Seven Thousand United States Dollars (US$767,000) ("Grant").

SECTION 3.2 Incremental Nature of the Project.

A.I.D.'s contribution to the Grant Project will be provided in increments. The A.I.D.'s initial increment will be made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.3 Grantee Resources for the Project.

The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

SECTION 3.4 Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" ("PACD"), which is September 30, 1987, or such other date as the Parties may agree to

in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation described in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation described in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE 4

Conditions Precedent to Disbursement

SECTION 4.1 First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) an opinion of the Legal Advisor to the Grantee that this Agreement has been duly authorized and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) a statement of the name of the person who will represent the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) The name of the project coordinator together with evidence that the coordinator will contribute adequate time and effort for the successful implementation of the project;

SECTION 4.2 Disbursement for Technical Assistance Component. Prior to disbursement under the Grant, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made to support the activities included under the Technical Assistance project component, the Grantee will, except as the parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) Evidence of the establishment of a coordinated program of technical assistance and credit between the Central Bank and local small industry assistance organizations including the detailed policies, procedures and eligibility criteria to be followed under that program;

(b) Evidence of the establishment of a Central Assistance Facility (CAF) within the Central Bank with the necessary supporting staff, equipment and other resources to administer the CAF activity; and

(c) A detailed operational plan for the Technical Assistance Center (TAC) activities for the first project year (approximately September 1982 to September 1983).

SECTION 4.3 Disbursement in Each Project Year. Prior to any disbursement or the issuance of any commitment document under the Grant in each project year, beginning with the year October 1, 1983 to September 30, 1984, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(a) A detailed report on the Technical Assistance Center activities planned for the next project year; and

(b) A detailed evaluation report on the effectiveness of the technical assistance resources provided to small industries and the effectiveness of the policies, procedures, and eligibility criteria used to manage these resources during the previous project years.

SECTION 4.4 Notification. When A.I.D. has determined that the Conditions Precedent specified in Section 4.1 have been met, it will promptly notify the Grantee.

SECTION 4.5 Terminal Date for Conditions Precedent. If the conditions specified in Section 4.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE 5

Special Covenants

SECTION 5.1 Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties may otherwise agree in writing, the Program will include annual evaluations during the implementation of the Project and at least one more at the Project conclusion. The evaluations will include, but not be limited to:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such problems may be overcome; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2 Evaluation Plan. Except as A.I.D. may otherwise agree in writing, the Grantee will prepare and submit to A.I.D. within twelve (12) months of the signing of this Agreement a time phased plan for evaluation described in Section 5.1.

ARTICLE 6

Procurement Source

SECTION 6.1 Foreign Exchange Costs. Except as A.I.D. may otherwise agree in writing, disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the

Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance. Ocean shipping may be financed on flag vessels of the United States of America.

SECTION 6.2 Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Dominican Republic ("Local Currency Costs").

ARTICLE 7

Disbursement

SECTION 7.1 Disbursement for Foreign Exchange Costs.

(a) After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement by such of the following methods as may be mutually agreed upon:

(1) By submitting to A.I.D., with necessary supporting documentation described in Project Implementation Letters, (i) requests for reimbursement for such goods or services, or, (ii) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or

(2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (i) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (ii) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2 Disbursement for Local Currency Costs. After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as described in Project Implementation Letters, requests to finance such costs. The Local Currency needed for such disbursements may be obtained through acquisition by A.I.D. with U.S. Dollars or from local currency already owned by the U.S. Government.

SECTION 7.3 Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4 Rate of Exchange. If funds provided under the Grant are introduced into the Dominican Republic by A.I.D. or any public or private

agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Dominican Republic at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Dominican Republic.

ARTICLE 8

Miscellaneous

SECTION 8.1 Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee:

Mail Address : Central Bank of the Dominican Republic
Calle Leopoldo Navarro
Apartado 1347
Santo Domingo, Dominican Republic

Cable Address : Central Bank of the Dominican Republic
Santo Domingo, Dominican Republic

To A.I.D.:

Mail Address : USAID Mission to the Dominican Republic
Santo Domingo, Dominican Republic

Cable Address : USAID Santo Domingo

All such communications will be in English unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2 Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Governor of the Central Bank, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID Mission to the Dominican Republic, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3 Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

SECTION 8.4 Language of Agreement. This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the Dominican Republic and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in two originals in their names and delivered as of the day and year first above written.

FOR THE GOVERNMENT OF
THE DOMINICAN REPUBLIC:

BY: _____
Salvador Jorge Blanco

TITLE: President

BY: _____
Ing. Ramón Alburquerque

TITLE: Technical Secretary to the Presidency

BY: _____
Lic. Bernardo Vega

TITLE: Governor of the Central Bank

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

BY: _____
Robert Anderson

TITLE: Ambassador

BY: _____
Philip R. Schwab

TITLE: Director, USAID Mission
to the Dominican Republic

PROJECT DESCRIPTION

I. PROJECT GOALS AND PURPOSES

The goal of the project is to increase the per capita income and employment in the Dominican Republic, by improving the performance of the private sector. The purpose of the project is to establish an institutional mechanism, capable of providing a continuous source of credit, technical assistance, and training to small entrepreneurs in the Dominican Republic.

II. PROJECT ACTIVITIES

The incrementally-funded project will be funded by an A.I.D. loan in the initial amount of $3.5 million and by an A.I.D. grant in the initial amount of $767,000 to the GODR and by $2 million in counterpart contribution by the Grantee. The Central Bank will be the primary executing agency acting through the Economic Investment Development Fund (FIDE), a division of the Central Bank. The project has two major components: (1) sublending to small industries; and (2) technical assistance and training for small industries. The first Component is funded under Loan Agreement Number 517-T-040 and No. 517-W-041. The second Component is funded under this Grant Agreement.

A. Technical Assistance Component

The Technical Assistance Component will include: Technical Assistance Centers (TAC) to provide the small industry borrowers with needed assistance in loan analysis and document preparation and in basic

management and operational techniques; and a Central Assistance Facility (CAF) located in FIDE to provide TAC's with technical assistance during the start-up phase and, upon request by the TAC, specialized assistance needed by TAC clients.

1. Technical Assistance Centers
Basic Design

The TAC will be a bridge between the financial institution and the entrepreneur and in many senses an advocate for small businesses. Each TAC will work closely with the local Participating Financial Institutions (PFI's) and with the local business and development association. The TAC will help the small industry client solve problems of access to credit, and provide technical assistance in administration, marketing, production technology and procurement.

TAC clients will be selected through:

- Self identification (firms that come to the Center for help).
- References by the Secretary of Industry and Commerce, the Industrial Development Corporation (CFI), and various small industry associations.
- Participating financial institutions.

Services to be Provided

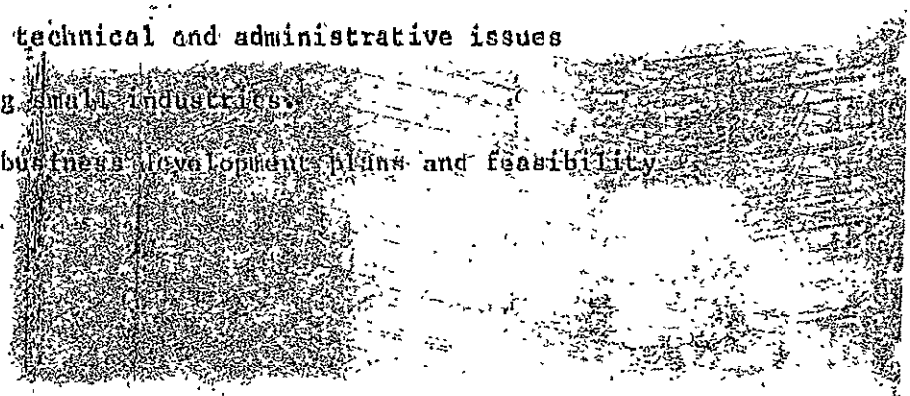
The TAC will conduct an initial evaluation of the candidate firm. If the applicant is suitable, the TAC will prepare a business development plan and recommend an integrated package of technical assistance, financing and training for the client. On the

basis of this plan, the client would be directed to a PFI. The TAC would normally proceed with a technical assistance program in coordination with the PFI. If the TAC cannot resolve any particular technical problems of the firm, it may seek specialized help from other organizations such as the Dominican Institute of Technology (INDOTEC), the Catholic University of Madre y Maestra (UCMM), The Institute for Technical and Managerial Development (INFOTEP) paid for by the CAF.

Direct technical assistance to the clients will be complemented by a series of courses and seminars in business administration, accounting, production technology, personnel administration, distribution and marketing. The TAC will collaborate with INFOTEP, UCMM and INDOTEC in these activities either directly or through the FIDE Central Assistance Facility.

In sum, each TAC will:

- Provide consultation and technical assistance directly to the small entrepreneur, on organization, administration, accounting, finance, marketing, production, appropriate technology, and plant layout.
- Give short courses and seminars in business management.
- Obtain or, if necessary, prepare training materials covering technical and administrative issues affecting small industries.
- Prepare business development plans and feasibility studies.



- Work with advocacy groups to identify small business development opportunities in their regions.

TAC Operations and Structure

The size of the TAC will vary from region to region depending on the nature and size of the market. On the average, however, it is expected that the TAC supervisor would have at least a bachelors degree in business administration or the equivalent and at least 5 years experience in private industry. Each TAC will probably have at least one promoter and one secretary. Staff members should be well versed in the fields of administration, accounting, production, marketing, and general business development.

Initially three TAC models will be used: the Dominican Development Foundation (DDF) in Santo Domingo; the Center for Small Business Assistance (CEPESA) in Santo Domingo; and the Program for Small Business Assistance (PROAPE) in Santiago. During the second and third year of the project it is anticipated that two additional TAC's will be included in the program. Possible TAC models will be studied further by FIDE with the assistance of off-shore TA advisors. The final selection of the additional TAC's will depend upon the results of the first project evaluation of the TAC models and upon a detailed analysis of the proposed TAC's institutional objectives and structures.

With assistance provided by the CAF, the TAC will prepare a detailed plan for developing and providing its institutional services to its small business clients. These plans will be submitted to FIDE and AID for review and approval. In addition, the TAC's will submit

to FIDE and AID their detailed operational procedures to be used under the program. The effectiveness of these procedures will be reviewed by project funded TA advisors.

The project will help finance the start-up costs and support of operating costs for that period of time until optimal efficiency is achieved. TAC progress in achieving self-sufficiency will be a key element in the annual evaluation of the project. Subsequent disbursement of grant funds to TAC's will be contingent upon demonstration of adequate progress in this area.

2. Central Technical Assistance Facility

A Central Technical Assistance Facility (CAF) will be established in FIDE. It will provide technical assistance to the TAC's during the course of operation, and especially during the start-up phase. The CAF will act as a special implementation unit for project activities. It will be the recipient of requests for assistance by the TAC's either for themselves or for their clients. The CAF will provide assistance to the TAC in TAC program design and management. The CAF will conduct the annual evaluation of the TAC's to assess their progress. The CAF will provide training to TAC staff in areas affecting program development and internal management. This could be supported by additional technical assistance including, for example, the International Executive Service Corps, INFOTEP, INDOTEC and other national TA and advocacy organizations interested in this field.

It is expected that the CAF Office will have a staff of two or three local employees paid by FIDE to coordinate TAC requests for

assistance. They will also assist in the year-end evaluation of the TAC's. It is also expected that 12 person-months of long term TA and 6 months of short term TA (spread over the life of the project) in the area of small business promotion and systems development, will be necessary to support the TAC's and FIDE in the development of the TAC/CAF network. These advisors will provide key assistance to the TAC's in: training for the technical/managerial assistance function, and training on internal planning, control, and evaluation. In addition these advisors will assist the TAC's in developing effective operating procedures, in developing more cost effective methodologies, and in developing systems for accessing local small business entrepreneural talents.

Procedures, controls and criteria for technical assistance, which are linked to lending criteria will be developed by FIDE with the assistance of project funded consultants. These procedures will be submitted to AID for review and approval prior to disbursement of funds to the TACs.

3. Inputs

AID will finance the estimated TAC operating costs in excess of revenues, motorcycles for TAC promoters, the cost of off-shore technical assistance office equipment and the costs of project evaluation. The Grantee will finance the costs of the operation of the CAF with the revenues generated from the sublending spread.

B. Financial Plan

A summary financial plan of the project activities is found on the following page. The financial plan may be changed within the limits established under Section 2.1 (Definition of the project) of this Agreement.

(d) consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant shall be acceptable to A.I.D.

SECTION C.4 Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5 Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

SECTION C.6 Shipping.

(a) Goods which are to be transported to the Dominican Republic may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag

of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source. Foreign Exchange Costs", without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7 Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the Dominican Republic may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder

are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of grantee) by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D. financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8 U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant should be

utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

ARTICLE D

Termination; Remedies

SECTION D.1 Termination. Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2 Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefore.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

SECTION D.3 Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4 Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

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A.I.D. GRANT AGREEMENT NO. 517-0150

STANDARD PROVISIONS

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

ARTICLE A

Project Implementation Letters

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

ARTICLE B

General Covenants

SECTION B.1 Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the

Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2 Execution of the Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3 Utilization of Goods and Services

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4 Taxation

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the Dominican Republic, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5 Reports, Records, Inspections, Audit. The Grantee will:

(a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired,

the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and Grant.

SECTION B.6 Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or cause A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

SECTION B.7 Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION B.8 Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

ARTICLE C

Procurement Provisions

SECTION C.1 Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Dominican Republic will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7 (a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2 Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3 Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished to A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (s) will be identified in Project Implementation Letters;

(b) documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include standards and measurements commonly used in the United States.

(c) contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

TABLE I

SUMMARY COST ESTIMATE AND FINANCIAL PLAN

(US $000)

SOURCE / USE	A.I.D. LOAN FC	A.I.D. LOAN LC	A.I.D. GRANT FC	A.I.D. GRANT LC	TOTAL A.I.D.	COUNTERPART LC	GRAND TOTAL
Subloans		5,000			5,000	2,000	7,000
Estimated TAC Operating Costs in Excess of Revenues:							
DDF				100	100		100
PROAPE				30	30		30
CEPESA				25	25		25
Additional TACs				225	225		225
Commodities				50	50		50
Off-shore & In-country TA			185	135	320		320
Evaluation			50		50		50
Contingency				50	50		50
Total		5,000	235	615	5,850	2,000	7,850

TABLE II

SUMMARY OF COSTS BY YEAR
(US $000)

	1983	1984	1985	1986	1987	TOTAL
AID						
Estimated TAC Operating Costs in Excess of Revenues:						
DDF	40	30	20	5	5	100
PROAPE	20	10	-	-	-	30
CEPESA	15	10	-	-	-	25
Additional TACs	-	75	75	50	25	225
Commodities	20	15	15	-	-	50
Off-shore & In-country TA	180	50	50	20	20	320
Evaluation	10	10	10	10	10	50
Contingency	10	10	10	10	10	50
Sublending Fund	834	1,829	2,337	-	-	5,000
GODR:						
Sublending Fund	334	731	935	-	-	2,000
Total	1,463	2,770	3,452	95	70	7,850